



# ORGANIZATIONAL BEHAVIOUR- DECISION MAKING

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# OUTLINE



# APPROACHES IN DECISION MAKING

- ▣ Rational approach: making optimal decisions by gathering all possible information and analyzing them rationally.
- ▣ Bounded rationality
- ▣ Non-rational approach: making decisions under the limitations of information gathering and processing.
  - Satisficing approach: finding a solution which is satisfactory rather than optimal
  - Incremental approach: making the smallest response possible that will reduce the problem to at least a tolerable level
  - Garbage-can approach: behaving in virtually a random pattern in making decisions

# BARRIERS TO EFFECTIVE DECISION MAKING

## Not accepting the problem

- Complacency
- Defensive avoidance
  - Rationalization
  - Procrastination
  - Buck passing
- Panic
- Not deciding to decide

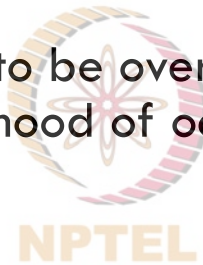


# DECISION-MAKING BIASES

Framing: the tendency to make different decisions depending on how a problem is presented

Prospect theory: decision makers find the prospect of an actual loss more painful than giving up the possibility of the gain

Representativeness: the tendency to be overly influenced by stereotypes in making judgments about the likelihood of occurrences



# DECISION-MAKING BIASES...

**Availability:** the tendency to judge the likelihood of an occurrence on the basis of the extent to which other like instances or occurrences can easily be recalled.

**Anchoring and adjustment:** the tendency to be influenced by an initial figure, even when the information is largely irrelevant.

**Overconfidence:** the tendency to be more certain of one's judgments



# DECISION MAKING IN TEAMS

## Orientation

- Define the problem
- Set goal
- Plan for the process

## Discussion

- Gather information
- Identify alternatives
- Evaluate alternatives

## Decision making

- Choose group solution

## Implementation

- Adhere to the decision
- Evaluate the decision
- Seek feedback



# INDIVIDUAL VS THE GROUP

Best team member Vs the team

Synergy

Role of group processes

Role of leadership

Nature of the problem

Risk taking in groups





# GROUP DECISION MAKING TECHNIQUES

Nominal group technique

Delphi method

Ringi technique



# MAJORITY RULE



# MAJORITY RULE

Level of preference may vary

Blocks creativity

Formation of coalitions or subgroups



# GROUPTHINK

## Symptoms

- Overestimation
- Close-mindedness
- Pressures toward uniformity

## Role of leader behaviour



# THE ABILENE PARADOX

Pluralistic ignorance: group members adopt a position without challenging each other in order to avoid conflict or achieve consensus.

Overemphasis on consensus.



# ESCALATION OF COMMITMENT

Non-rational escalation: a situation in which people can make irrational decisions based upon rational decisions in the past or to justify actions already taken

Escalation of commitment : Tendency to invest additional resources in an apparently losing proposition, influenced by effort, money, and time already invested

Sunk costs: costs that cannot be recovered once they have been incurred

# ESCALATION OF COMMITMENT

Nature of the setback.

Personal rewards.

Ego and reputation.

Confirmation bias.

Perception of recovery.

Group cohesiveness.





# AVOIDING ESCALATION OF COMMITMENT

Set limits.

Avoid ambiguity.

External reviewers.

Accept sunk costs.

Manage emotions.



# GROUP POLARIZATION

Tendency of a group to make extreme judgment than might be obtained by pooling the individual's views separately.

